
NZ Transport Agency Probity Review

Assurance Report

December 2015

Released under the Official Information Act 1982

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1. Introduction

An external supplier has raised a verbal complaint with the Chief Risk Assurance concerning the NZ Transport Agency's approach to procurement of an IS Net product. s 9(2)(b)(ii) approached the Transport Agency and requested a meeting with the Chief Risk Assurance who worked with 7-10 years ago. Both the Chief Risk Assurance and the Risk Manager met with s 9(2)(a).

s 9(2)(a) advised that s 9(2)(a) was concerned with the procurement of ISNet by the Transport Agency. The basis of his complaint is that we had not run a competitive process, s 9(2)(a) explained s 9(2)(a) had initially been advised that there would be a formal process. s 9(2)(a) was later informed that the procurement had occurred. s 9(2)(a) alleged that s 9(2)(a) had been advised that the s 9(2)(b)(ii) product had been considered but the reporting was not robust enough. s 9(2)(a) disputed this and brought examples to the meeting.

s 9(2)(a) asked if we could find out what had happened or was happening before s 9(2)(a) formalised his complaint with MBIE. s 9(2)(a) said s 9(2)(a) believed the Government Rules of Sourcing had been breached. s 9(2)(a) has followed up on four occasions in writing looking for an outcome or progress, this is still very much a live issue for s 9(2)(b)(ii).

Risk Assurance treated the complaint with respect and considered it was in the Agency's best interest to seek a response to avoid a further complaint or reputational damage. We should be able to handle this in house and respond appropriately.

In response to the complaint Risk Assurance undertook to review the procurement of the prequalification system to determine if it is consistent with the Transport Agency's procurement rules and guidance. A terms of reference for the review was drawn up and signed by the GM People and Capability and the Acting Chief Risk Assurance. The overall objective of the review is to provide assurance that appropriate processes were followed in the procurement of a prequalification system for use of contractors. The terms of reference is attached in Appendix One.

A second supplier has subsequently been in contact to raise concerns over the procurement process. The Chief Executive of s 9(2)(a) phoned the Chief Risk Assurance and was transferred to the GM Organisational Support. s 9(2)(a) had been in discussions with the Zero Harm Manager that the Transport Agency was looking for a prequalification tool to use across the sector. s 9(2)(a) sought an update on the status of the procurement and, when told the selection had been made, expressed concern that a proper procurement process was not raised.

The process followed for the review has been to review all relevant documents and interview Transport Agency staff involved in the procurement or the prequalification project. A draft report was prepared and provided to the Zero Harm Manager for initial comment. The draft report was amended in response to the feedback received and the comments have been copied into the report. The amended draft report was provided to the GMs People and Capability, Highways and Network Operations and Organisational Support. The report will be finalised when the feedback has been addressed.

2. High Level Conclusion

This review has considered the approach taken to selecting the system to be mandated to HNO's contractors for prequalification.

The Transport Agency's procurement policies have not been followed to select the system. A fair and transparent process was not used to give all suppliers a contestable process to compete. There is no procurement plan and the strategy or approach to the procurement was not documented prior to a selection process being undertaken by an external working group. A procurement plan is required and as the selection method was direct appointment the delegation to approve the procurement plan is at Group Manager level.

Procurement at the Transport Agency requires judgement to be applied to a number of factors. The procurement methodology that should be used must be determined, the contract value assessed and procurement principles applied. The judgements used to reach the conclusion of this report are briefly outlined here and explained in sections 3 and 4.

The service being procured is cloud based and supports the administration of State Highway contractors. Administration systems are covered by Part B of the Contract Procedures Manual (SM021) which is known as corporate procurement.

The requirements of Part B of the Contract Procedures Manual (SM021) are scalable based on the risk and size of the procurement. The threshold that indicates a tendered procurement is required is a contract value of \$100k. Contract value is assessed by considering all elements of the delivery of the services for the intended term of the contract. This includes any revenue streams a supplier receives. The total contract value of the ISN product including contracts with both NZTA and prequalified users is assessed as approximately [REDACTED] in the first year indicating that a tendered procurement is required.

The procurement principles underpin the Transport Agency's approach to procurement and are expected to be applied in all procurements regardless of size.

The findings of this review should be considered against the risk that a formal complaint is raised to MBIE, the Transport Agency's ability to defend itself in the event of such a complaint and the consequences of an adverse opinion from MBIE on the Transport Agency's actions. The complainant does not believe that Rules of Government Sourcing have been applied to this procurement. The conclusions of this review support that view. However, at the time of the procurement the Government Rules of Sourcing were not mandatory for the Transport Agency.

Comment – GM People and Capability

The GM People and Capability does not support these conclusions. It is her view that the correct conclusion is the procurement manual needs to provide better and more explicit guidance and that employees should be provided with regular development opportunities.

Comment – GM Highways and Network Operations

The GM Highways and Network Operations does not reach the same conclusion. It is his view that it was not unreasonable to consider the appointment to be below the \$100K threshold, in line with the Contract Procedures manual.

The action now is for NZTA (OS) to update our procurement process in line with the government rules of sourcing so that there is one clear source of guidance.

3. Summary of Findings

The Transport Agency is involved in a Health and Safety Leadership Group to ensure a consistent approach to Health and Safety in the transport sector. The group's members are senior leaders from the Transport Agency and its contractors. There is also a working group, the Zero Harm Industry Group that sets minimum standards for the industry. The working group undertook the review of the prequalification process which resulted in the decision to mandate a single supplier to contractors of the Transport Agency. The working group also undertook the selection of that single supplier.

The Transport Agency's Zero Harm Manager was the project lead for this selection. Over the period that the selection took place the working group held round table discussions which have been summarised using an assessment matrix. There is limited documentation on any aspect of the selection process. Expected documentation includes a procurement plan, a requirements document, approach to market, notes of discussions held with suppliers and minutes or notes of the discussions held to select the shortlist.

Procurement at the Transport Agency can be complex and there are many elements within the process to be cognisant of in order to ensure a compliant process is followed. For this reason Workplace Procurement Services have developed a considerable body of guidance and support and it is required that they are involved in a procurement that has a value of greater than \$100k. In this procurement Workplace Procurement Services were not approached for support.

Government Rules of Sourcing

At the time of the procurement (June 2015) the second edition of the Government Rules of Sourcing applied. The second edition was good practice guidance for the Transport Agency. The third edition that is in place from July 2015 is mandatory for the Transport Agency. While the Government Rules of Sourcing were recommended rather than mandatory the procurement rules of the Transport Agency are underpinned by the five principles and are designed so that the Transport Agency is compliant with the Rules.

The five principles are: Plan and manage for great results; Be fair to all suppliers; Get the right supplier; Get the best deal for everyone; Play by the rules. The principles are overarching and the procurement rules are to be read together with the principles. Good practice isn't just mechanically applying the Rules. The principles are provided in full in Appendix 2.

The Transport Agency is expected to give all suppliers a full and fair opportunity to compete. This is stated in the second principle "be fair to all suppliers" which includes treating all suppliers equally and giving New Zealand suppliers a full and fair opportunity to compete. The principle sits alongside Rule 4 of the Government Rules of Sourcing which requires that all suppliers are given an equal opportunity to bid for contracts and suppliers from other countries should be treated no less favourably than New Zealand suppliers.

The contract has been awarded to ISNet, which is an offshore company, using direct appointment. New Zealand suppliers of prequalification systems have not been given an opportunity to bid for the contract.

Contract Procedures Manual

The Transport Agency has two approaches to procurement. The Contract Procedures Manual SM021 covers both approaches. Part A contains procedures relating to the contracting of professional services and physical works and will generally be used for works contracted by the Highways and Network Operations (HNO) group. Part A governs work funded from the NLTF and is not subject to the Government Rules of Sourcing.

Part B of the Contract Procedures Manual contains procedures for the procurement of goods and services related to internal operations, and will generally be used by all groups for expenditure from administration budgets. Part B procurement is led by the Workplace Procurement Services and is compliant with the Government Rules of Sourcing.

The procurement methodology should have been Part B of the Contract Procedures Manual as the prequalification is not funded through the NLTF and is an administrative tool. There appears to be some confusion about which procurement rules will apply in circumstances where HNO is undertaking non-NLTP related procurement. When the procurement was initially raised as part of

this review there was a view that as this was a tool to be used by HNO it fell under HNO procurement rules and was covered by Part A of the manual. However the HNO Principal Procurement Manager advised that this was not a procurement under Part A.

Value of the Contract

The corporate procurement methodology uses thresholds to guide the procurement that should be taken. Small value, low risk procurements use a simpler methodology than high value contracts that have a significant impact on the market. The threshold for requiring that contracts are competitively tendered is \$100k.

The total value of this contract in the first year is assessed as approximately [REDACTED] S9(2)(b)(ii). The Transport Agency is the hiring client and the fees are [REDACTED] S9(2)(b)(ii) per annum with a one off set up charge of [REDACTED] S9(2)(b)(ii). ISNet will also receive fees from all of the prequalified contractors who are required to use ISNet. Based on the 114 contractors who are currently prequalified the calculated revenue from contractors is [REDACTED] S9(2)(b)(ii) per annum. The assessment is attached in Appendix 4.

The contract value is greater than \$100k and a full approach to market is required under the Transport Agency's procurement rules. A full approach to market was not undertaken. Further discussion on the value of the contract is included in section 4.1.

Procurement Plan

Part B of the Contract Procedures Manual requires that all procurement has a procurement plan. The requirement is that key elements of the procurement are well documented and approved under delegation. The plan should also be reviewed by Workplace Procurement Services prior to any formal engagement with the market. A procurement plan was not prepared prior to the selection process that the industry group undertook. A procurement strategy was prepared subsequent to the selection process and has described the procurement as a direct appointment.

Further discussion on the documented requirements for the procurement process is provided in section 4.2.

Approach to Market

There was no Request For Proposal document released and no other formal opportunity to suppliers to present their product and bid for the opportunity to be the mandated prequalification system of the Transport Agency.

During the selection process there was some market engagement with suppliers. The discussions were not documented. The successful supplier was given opportunities to present to different industry meetings over the selection period. Other suppliers were not given the opportunity to present. Emails that were sent to one non-successful supplier state that the Transport Agency and Auckland Transport are investigating what the market has to offer. The risk of informal engagement of this nature is that it may set an expectation that a contestable procurement process will be entered into.

Assessment

A matrix has been prepared to compare three suppliers against the criteria established by the industry group. The matrix is attached in Appendix Two. The assessment has not been weighted. The assessment is also not consistent between the three vendors. The analysis for the preferred vendor is much more detailed. The two non-successful vendors have a lower level of analysis with just yes or no answers provided in some cases. The preferred vendor is significantly more expensive than the other two vendors, both the cost to the hiring client (NZTA) and the cost to the contractors. As there are no weightings to assess the criteria the justification of quality over price is not evident from the analysis provided.

Decision

The selection of ISNet was made by the industry group and a paper presented to the Highway and Network Operations Network Direction and Performance Business Unit Decision Making Team (BUDMT) for endorsement for final approval at the Value Assurance Committee (VAC). The BUDMT endorsed the proposal to go to VAC for final approval. The proposal has not been sent to VAC and the BUDMT approval has been deemed to be sufficient.

The Transport Agency has two types of delegation that are relevant to this selection. The first is procurement delegations which cover the decision to undertake and method of procurement, the procurement plan. The second is contract delegations which cover the signing of the contract.

Procurement delegation is documented in Part B of the Contract Procedures Manual. The delegated authority for a procurement plan for direct appointment less than \$100,000 is the cost centre manager. The delegated authority for a procurement plan for direct appointment over \$100,000 is the sponsor or group manager. The decision to direct appoint was signed off by VAC which does not meet the delegation required for a procurement with a value of S9(2)(b)(ii) per annum.

Contract delegations are documented in the GM OS to staff delegations register. The delegation for contracts with a value of no more than \$500,000 is cost centre managers less than tier three. This tool is for use by the HNO procurement team to prequalify HNO contractors. It has been funded from a P&C budget and the contract signed by a tier 3 P&C manager which is within delegation.

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4. Detailed Findings

4.1 Contract Value

Observation and Analysis

When assessing the contract value a wide view is to be taken of the value. All of the elements that are to be taken are detailed in the Corporate Procurement Plans – Guidelines (This reflects the Government Rules of Sourcing Rules 7 and 9 copied in Appendix Two). The value of a contract is assessed as both the cost to the Transport Agency and any revenue stream the supplier receives. The threshold for requiring a detailed procurement plan and a competitive process is a value of \$100,000.

Extract of Corporate Procurement Plans – Guidelines:

The contract value of a procurement includes everything required for the full delivery of the goods, services or works for the intended term of the contract. This includes the value of:

- options to purchase additional goods, services or works
- options to extend the term of the contract
- paying any premiums, fees or commissions to the supplier or a broker
- any revenue streams a supplier receives
- any other form of remuneration or payment due to the supplier or to a third party or any interest payable.

1. The annual value to ISNet of being the mandated supplier of NZTA's prequalification system has been calculated to be S9(2)(b)(ii) based on the 114 contractors that are prequalified with the Agency (attached in Appendix 4). By directly appointing ISNet NZTA has denied other suppliers the opportunity to bid to be the mandated supplier for the term of the agreement. The value of being the mandated supplier of NZTA's prequalification is greater than \$100k and therefore requires a contestable procurement approach.
2. There is a difference of view over the purchase value of the contract. The purchase value is defined in s1.3 of Part B of the Contract Procedures Manual as "This refers to the total anticipated value of the purchasing with a supplier for the full term of the relationship." The procurement has been conducted on the basis that the total term of the contract is only one year. The cost in the first year is S9(2)(b)(ii) and the on-going annual charge is S9(2)(b)(ii). The intention is for this arrangement to be in place for more than one year and it will be stopped if the system no longer meets the needs of the participating parties. This is an indefinite period of time. If the arrangement considered to be a two-year arrangement the purchase value is S9(2)(b)(ii) which is close to the \$100k value threshold, arguably warranting an open tender process even without considering the revenue derived from the third party contractors.

There has been a considerable (18 month) consultation with the contracting organisations to select ISNet and there is work required to configure the system to meet NZTA's requirements. NZTA will mandate to its prequalified contractors that they must utilise ISNet. NZTA is also carrying this out in conjunction with Auckland Transport to mandate a single prequalification system for both Agencies. While this arrangement can be stopped should the system no longer meet the Agency's needs there is an expectation that the contract would be renewed each year as long as it continues to meet the Agency and its contractors' needs.

These two factors contribute to the conclusion that a contestable procurement process was required and direct appointment was not justified.

Extract from Government Rules of Sourcing

Even if the **value of a procurement** is less than the value threshold (set out in Rules 7 and 8), agencies are still expected to follow good procurement practice. This means applying the Principles and having regard to other good practice Guidance.

*It's better to be cautious. If your **estimated value** is getting close to the value threshold (eg services valued at \$98,000), always consider using an open tender process. After all, your calculation is only an estimate.*

4.2 Procurement Plan and other Documents

Observation and Analysis

The Corporate Procurement guidelines include a document: Corporate Procurement Plans – Guidelines. This document outlines the steps that the Transport Agency is expected to take when planning procurement. The guidelines are scalable to reflect the size, value and complexity of the intended procurement. The guidelines lay out the reasons for a procurement plan, the Principles of Government Procurement, when a plan is required and delegated authority for signing contracts.

The procurement of the prequalification system has been considered a direct appointment. However there has been 12 – 18 months of engagement with market participants prior to the selection of ISN as the supplier to be appointed. The engagement with market and the evaluation approach should have been documented in a procurement plan prior to it being undertaken.

The Contract Procedures Manual SM021 Part B p149 gives the delegated authority for procurement activities. The delegated authority for a procurement plan for direct appointment less than \$100,000 is the cost centre manager. The delegated authority for a procurement plan for direct appointment over \$100,000 is the sponsor or group manager.

A procurement strategy has been prepared in the place of a procurement plan. The strategy has been prepared following the consultation with ISN and ISN's presentations to the Zero Harm Industry Group and the Health and Safety Leadership Forum. It explains the market research and evaluation that was undertaken by the working group and it justifies the decision to adopt ISN as the prequalification system. The procurement strategy is a decision document it is not a planning document. A procurement plan should be completed early in the procurement process as it sets out the proposed approach and includes the strategy for engagement and how the agency will approach the market.

Documentation is expected to evidence a compliant procurement process. The nature of the documentation is dependent on the process followed. A number of documents were requested but were not available to support the procurement. The types of documentation that would support a fair and transparent procurement are outlined here:

- A requirements document which would usually be completed by the business owner to ensure that the key elements of the system are understood by all parties.
- All engagement and discussions with potential suppliers is expected to be documented in file notes to ensure that all parties are treated equitably.
- Minutes of selection meetings, including the decision to shortlist to three parties.
- Documents to support the evaluation approach including full records of the evaluators scores and rationale for them.

5. Lessons Learnt

There is confusion over when each part of the Contract Procedures Manual applies. When HNO is undertaking a procurement process that does not meet the criteria for Part A of the manual Part B must be applied. The requirements of each are driven by legislation and mandatory government rules.

There are many procurement guideline documents as well as the Contract Procedures Manual. All of the guidance referred to in this review is available on OnRamp however it is not all available in one document and it can be difficult to determine the relevant guidance in a specific circumstance. The Corporate Procedures Manual, rules and guidance should be reviewed to ensure the documents are consistent and are as simple as possible to follow.

Specific training should be provided to cost centre managers to cover procurement, delegations and contracting. Frequency of training should be provided at appropriate intervals to ensure that managers remain aware of their responsibilities. At a minimum training should be mandatory at induction and when a person changes roles to take on these responsibilities.

The Transport Agency must ensure it follows its internal processes when it is engaging with external decision making bodies. The Terms of Reference with the external bodies should reinforce the delegations for decisions continue to reside within the Agency.

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Appendix One: Terms of Reference

RISK ASSURANCE	TERMS OF REFERENCE
Project Name	NZ Transport Agency – Name of Review
Background and Purpose	<p>An external supplier has raised a concern with the Chief Risk Assurance concerning the NZ Transport Agency's approach to procurement of an ISN Net product. The concern relates to a change in approach to prequalification with the Transport Agency considering mandating that HNO contractors use one system.</p> <p>The concern raised is that the Transport Agency has not used a fair and transparent process to select the system to be mandated. The concern has been raised by the vendor of a competing product. The vendor approached the Manager Zero Harm who allegedly dismissed an approach to discuss the vendor's product and confirmed a commitment to the ISN Net product.</p>
Review Scope and Objectives	<p>Objectives</p> <p>The overall objective is to provide assurance that appropriate processes were followed in the procurement of a prequalification system for use of contractors.</p> <p>Scope</p> <p>The review addresses:</p> <ul style="list-style-type: none"> • The procurement strategy and approach including methodology used, the selection criteria and the decision • Terms of contract • Communication to the participating industry parties about the change of prequalification requirements
Approach	<p>Our review will involve a combination of the following:</p> <ul style="list-style-type: none"> • Interview with key people within HNO and P&C • Review documentation • Review communications to the industry • Review procurement approach used • Review contract with selected supplier • Review of approvals and internal policy compliance for procurement of IS systems • Analysis of findings • Reporting

Review Sponsor

S9(2)(a)

Project Team

S9(2)(a)

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Appendix Two: Government Rules of Sourcing Principles



1. Plan and manage for great results

- Identify what you need and then plan how to get it.
- Set up a team with the right mix of skills and experience.
- Involve suppliers early – let them know what you want and keep talking.
- Take the time to understand the market and your effect on it. Be open to new ideas and solutions.
- Choose the right process – proportional to the size, complexity and any risks involved.
- Encourage e-business (for example, tenders sent by email).



2. Be fair to all suppliers

- Create competition and encourage capable suppliers to respond.
- Treat all suppliers equally – we don't discriminate (this is part of our international obligations).
- Give NZ suppliers a full and fair opportunity to compete.
- Make it easy for all suppliers (small to large) to do business with us.
- Be open to subcontracting opportunities in big projects.
- Clearly explain how you will assess suppliers' proposals – so they know what to focus on.
- Talk to unsuccessful suppliers so they can learn and know how to improve next time.



3. Get the right supplier

- Be clear about what you need and fair in how you assess suppliers – don't string suppliers along.
- Choose the right supplier who can deliver what you need, at a fair price and on time.
- Build demanding, but fair and productive relationships with suppliers.
- Make it worthwhile for suppliers – encourage and reward them to deliver great results.
- Identify relevant risks and get the right person to manage them.



4. Get the best deal for everyone

- Get best value for money – account for all costs and benefits over the lifetime of the goods or services.
- Make balanced decisions – consider the social, environmental and economic effects of the deal.
- Encourage and be receptive to new ideas and ways of doing things – don't be too prescriptive.
- Take calculated risks and reward new ideas.
- Have clear performance measures – monitor and manage to make sure you get great results.
- Work together with suppliers to make ongoing savings and improvements.
- It's more than just agreeing the deal – be accountable for the results.



5. Play by the rules

- Be accountable, transparent and reasonable.
- Make sure everyone involved in the process acts responsibly, lawfully and with integrity.
- Stay impartial – identify and manage conflicts of interest.
- Protect suppliers' commercially sensitive information and intellectual property.

Government Rules of Sourcing Extracts

Rule 1: Principles

1. Each agency **must** have policies in place that incorporate the five *Principles of Government Procurement*. The *Principles* apply to all procurements, even if the *Rules* do not apply.
2. Each agency must make sure that:
 - a. all staff engaged in procurement have been trained in the five Principles of procurement
 - b. its procurement practices reflect the five Principles
 - c. it is able to show how it has used sound research to plan an appropriate approach to market strategy that is proportionate to the nature, risk, value and complexity of each procurement.

Rule 4: Non-discrimination

1. All suppliers must be given an equal opportunity to bid for contracts. Agencies must treat suppliers from another country no less favourably than New Zealand suppliers.
2. Procurement decisions must be based on the best value for money, which isn't always the cheapest price, over the whole-of-life of the goods, services or works.
3. Suppliers must not be discriminated against because of:
 - a. the country the goods, services or works come from
 - b. their degree of foreign ownership or foreign business affiliations.

Rule 7: When the *Rules* apply – goods or services or refurbishment works

1. The *Rules* apply:
 - a. to the procurement of goods or services or *refurbishment works*, or a combination of goods or services or *refurbishment works*, when
 - b. the *maximum total estimated value* (Rule 9) of the procurement meets or exceeds the value threshold of \$100,000 (excluding GST).
2. To estimate the *maximum total estimated value* (Rule 9) for goods or services or *refurbishment works* an agency **must** take into account:
 - a. all related services (eg installation, training, servicing, and management consultancy services)
 - b. all types of goods (eg operating consumables)
 - c. all subcontracted goods or services or works.
3. This Rule does not apply to goods, services or *refurbishment works* that are purchased for commercial resale.

Rule 9: Estimating value

1. Each agency must estimate the total value of a procurement to determine whether it meets or exceeds the relevant value threshold (set out in Rules 7 and 8). Agencies must act in good faith and use good judgement to estimate the value of a procurement. Agencies must include the estimated value in their business case or procurement plan. This estimate is referred to as the *maximum total estimated value*.
2. Each agency must consider the total value over the whole-of-life of the contract/s when estimating the procurement's *maximum total estimated value*. The estimate must include the value of all of the contracts that may result from the procurement.
3. The value is the total amount excluding GST.
4. If an agency cannot estimate the *maximum total estimated value* of a procurement it must apply the *Rules*.
5. When an agency calculates the *maximum total estimated value* of a procurement, it must include everything required for the full delivery of the goods, services or works. This includes the value of:
 - a. options to purchase additional goods, services or works
 - b. options to extend the term of the contract
 - c. paying any premiums, fees or commissions to the supplier or a broker
 - d. any revenue streams a supplier receives
 - e. any other form of remuneration or payment due to the supplier or to a third party or any interest payable.

Appendix Three: Assessment Matrix

	S9(2)(b)(ii)	S9(2)(b)(ii)	ISNETWORLD
General Company Information			
Number of Hiring Clients	S9(2)(b)(ii)	S9(2)(b)(ii)	425+ Hiring Clients (60+ new Hiring Clients added in 2014)
Peer Client Base			International & New Zealand clients like S 9(2)(b)(ii)
Number of Employees			450+ as of December 2014
Number of Years in Business			12+ Years (November 2001)
Hiring Client Cost	Potentially introducing a \$1000.00 per annum fee for Level 1 Contractors (principal level) to be able to access database to review level 2&3 contractor information. Contractor upgrading from level 3 to level 2 costs \$500.00 one off fee	Clients pay a small annual fee to access the S 9(2)(b)(ii). The fee is determined by the number of contractors they typically use.	Hiring Client Subscription costs \$42,000 NZD annually, with a one-time \$7,000 setup fee. The subscription fee is inclusive of all functionality, service and support.
Contractor Cost	Subcontractors (Level 3 Users) pay an annual registration fee of \$180 (excludes GST), which includes up to three reassessments in the first year and an annual assessment for each year after that.	Annual fee based on company size, Cat 1 (under 5 employees) = \$395.00; Cat 2 (under 15 employees) = \$495.00; Cat 3 (15+employees) = \$850.00; Cat 4(main or controlling contractor) = \$1,500.00	Based on company size; Contractors can work for an unlimited number of Hiring Clients and sites. 87% of Australia and New Zealand Contractors in ISN have less than 100 employees and pay \$4,180 or less annually. If a contractor is already subscribed to ISN in the same country as clients operations, there is no additional fee to report their information to client.
Number of Contractors	300+	200+	59,000+ Contractor Companies (8,000 new Contractors added in 2014)
Implementation Support for AT			
Dedicated implementation team	questionnaires are assessed by Site Safe's qualified health and safety professionals	Providing oversight of the process - client governance group made up of representatives from key S 9(2)(b)(ii) clients. Reps come from a mix of H&S and procurement roles	Two primary points of contact from the ISN Australia team will work closely with NZ clients to implement ISNworld. An additional team of individuals from ISN's Sydney, Dallas and UK based team will offer support through a dedicated email address.
In Office Assistance	none - contractor submits application to data base	none - contractor submits application to data base	ISN Employee housed in clientd facilities in each region during implementation period (2 weeks each) and in-person visit to every clients site to introduce ISN, provide training and awareness.

	S9(2)(b)(ii)	S9(2)(b)(ii)	ISNETWORLD
Transition	contractor applies and submits application on line	contractor applies and submits application on line	In person implementation meeting and kick-off workshop and weekly implementation calls with implementation checklist/ action items managed by ISN Team. ISN will also mail implementation letters on behalf of client to contractors.
Training	no	no	Yes, ISN will provide an unlimited number of trainings in person and via WebEx for client employees. Video tutorials, written instructions and User Guide developed.
Continuous contractor follow up provided	contractors have 3 attempts in first year to submit information	Contractors in Category 1 - 4: Will have one opportunity to resubmit evidence after submitting your initial prequalification information. This is only for those questions scoring a 0 or 1. The only exception to this is if a Contractor has answered "No" to a question. In that case they will score a 0 but will not be allowed to resubmit evidence.	Yes, ISN will follow up with non-conformant contractors as part of the on-boarding process. When a contractor's grade negatively changes, ISN will also follow up with the contractor by phone. Contractors will also be proactively notified when key pieces of information are reviewed with deficiencies or are coming up for expiration.
Networking and Industry Best Practice Sharing	no	no	Yes, Annual Conference and Regional Roundtable Meetings are free to attend.
Reporting and Data Analysis	Limited - Level 1 and 2 users can view level 3 contractor submissions on line	Limited - able to provide contractor with score that indicates where they sit in relation to peers	Yes - ISN has three full time statisticians that assist in data and statistical analysis specific to client's contractor base for an annual management update presentation. ISN also publishes annual benchmarking reports by industry and White Papers.
Ability to Integrate with Internal Systems	no - apply to separate web site only	no - apply to S 9(2)(b)(ii) web site only	Yes, ISN has the ability to export and import data with clients internal systems, for no additional fee. For example, ISN can export a contractor's grade into clients purchasing system so the information can be tied to the ability to issue a Purchase Order.
Contractor Customer Resources and Support			
Contractor Benefits	limited - receive external safety advice at extra cost.	very limited - provides a validated assessment of the strengths and weaknesses of the Contractor with a clear indication of areas for improvement.	Wide range of resources available all included in annual fee - eg Marketing exposure, SmartLog incident tracker, Training module, safety program resources and audit, ability to create a public website, benchmarking reports, etc.
Contractor Meetings and Site Visits	no	no	Yes, ISN held over 1,779 in-person meetings in 2014. ISN will meet with all client contractors in-person through a combination of visits at their office, host Users Group Meetings and conduct face-to-face Help Desk appointments.

	S9(2)(b)(ii)	S9(2)(b)(ii)	ISNETWORLD
Customer Service for Contractors	Very limited - Pre-Qualification Questionnaire Help Guide available online	no	Unlimited and toll-free. Available 24/7 Monday-Friday and additional support/ training provided on weekends. Written instructions, video tutorials and searchable Help Menu available 24/7. Unlimited number of trainings provided with Live Chat.
Tools and Functionality			
Customisable and Gradable Safety Questionnaire	Limited - assessment results in a grading (green, amber, red) and a detailed report is provided privately to the contractor, along with suggestions for improvement if required.	Limited - provides five categories of prequalification questionnaire reflecting the different size and complexity of Contractors	Yes, aligned with OHSAS 18001/ AS/NZS 4801 and updated quarterly by contractors. Ability to add client specific questions.
Annual Review and Verification of Workers Compensation Premium Rate Statement	no	no	Yes with automated email notifications and follow up process annually.
Review of HSE Programs	Questionnaires are assessed by Site Safe's qualified health and safety professionals	s 9(2)(b)(ii) Assessors will carry out the assessment of prequalification information. The s 9(2)(b)(ii) process will be overseen by senior health and safety professionals with significant experience in contractor management.	Detailed review and verification of HSE programs done by Safety Professionals (500+ combined years of experience) using a Protocol/ Checklist. Requirements based on scope of work contractor performs and configured by client. Resources available to contractors that need to understand and develop a written safety program. Automated exemption process for exceptions. Contractors are asked to revalidate their programs every three years unless a regulation changes or changes a requirement.
Review of Proof of Training	yes	yes	Review and verification of Training Rosters/ Sign-In Sheets based on required topics. Or, Training Qualification tool to track on the contractor employee level based on activity/ task being performed. Badges/ ID Cards issued by ISN and ability to tie to security/ gate system is available.
Deliver AT Training Online	no	no	Yes - client can post an unlimited number of site specific or company required trainings (ex. In Plant Rail, Mobile Cranes, etc.) for contractor employees to view before arriving on site. A quiz can be administered and renewal dates tracked.

	S9(2)(b)(ii)	S9(2)(b)(ii)	ISNETWORLD
Certificate of Insurance Review and Verification	no	yes	Yes - Detailed Review of Certificates of Insurance (330,000 reviews completed in 2013) done by Insurance/ Risk Management Professionals (500+ combined years of experience); Ability to track expiration dates for policies and send renewal notices; Automated variance process to accommodate exceptions on a contractor level; Ability to accommodate Risk Profiles/ different levels of coverage based on contractual terms (470+ risk profiles in ISN today). Contractors' agents/ brokers can also submit certificates of insurance, Workers Compensation and EMR documentation directly in ISNetworld at no additional cost (4,000+ agencies registered representing 14,500+ contractors).
Citation and Prosecution Review	no	no	Every 6 months on each contractor in Public Databases with automated email notification if Prosecution is found.
Ability to add and track Action Items	no	no	Yes, can be automatically assigned and tracked to closing
Document Management and Acknowledgement	Contractors upload relevant documents onto Site wise data base	Contractors upload relevant documents onto s 9(2)(b)(ii) website	Yes, any type of document can be collected from contractors. Or client can post information (NDA, Ts&Cs, Substance Abuse, etc.) for contractors to review and agree to/ acknowledge.
Evaluation of Contractor Performance	Yes - grades a contractor's health and safety capability and publishes that grade in a database that can be viewed by main contractors and principal organisations.	Yes - provides five categories of prequalification questionnaire reflecting the different size and complexity of Contractors	Yes - Evaluation questions configured based on clients process and can be weighted in overall grade. Evaluation is transparent across all sites.
Audits	no	no	AT's specific audit criteria to be built in ISN allowing client employees to enter audit findings for contractors on an ongoing basis. Action items can be assigned to contractors, allows for back and forth communication, and tracked to completion
Mobile Interface	yes application to PC, Tablet, Mobile phone	no	Yes - Mobile app easily allows for AT and contractors to view Dashboard grades, evaluations, audits, etc. while onsite.
Reporting Available	no	no	Yes - The Custom Report tool can be used by Client to pull any data point into Excel. Reports can be saved and shared with other users.
Contractor Man Hour Tracking	no	no	Yes, monthly work hours and incidents specific to our sites and projects.

	S9(2)(b)(ii)	S9(2)(b)(ii)	ISNETWORLD
Searchable Database	no	no	Yes - will have access to a searchable database of 59,000+ contractor companies to query based on service provided, location, prequalification information, etc.
Multi-Site Set Up	no	no	Yes - can manage an unlimited number of sites or business units with unique requirements. New sites can be added at any time.
Grading/ Requirements Set-Up	grading based on traffic lights red green, amber	grading requirements based on 5 contractor categories	ISN will configure based on clients direction. Best practices, templates and benchmarking to peer companies is available.
Job Bid Management	no	no	Yes, the Job Bid Tool allows Hiring Clients to electronically streamline the job bid process.
Messages/ Bulletin Board	limited ability	no	Yes, has the ability through the Messages Tool to send/post messages to all contractors (or based on work type, risk, site designation, etc.) and internal employees. Read receipt functionality is also available to track those that have read the message.

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Appendix Four: Value Assessment

Extract of BUDMT paper

Cost

The cost to the Transport Agency would be S9(2)(b)(ii) (establishment), plus S9(2)(b)(ii) per annum for the subscription fee.

ISN's current fee structure for contractors is based on the number of staff and is detailed in the table overleaf.

Staff Numbers	ISN Fee	NZTA Prequalified Contractors Company Size	Cost
1-4	S9(2)(b)(ii)	-	-
5-9		4	S9(2)(b)(ii)
10-24		21	
25-99		48	
100-249		21	
250-499		16	
TOTAL COST TO INDUSTRY			

Of the 114 prequalified contractors, 10 are currently subscribed to ISN S9(2)(b)(ii)
S9(2)(b)(ii)